

Commercial Union with Canada.

SPEECH

OF

HON. ROBERT R. HITT,

OF ILLINOIS,

IN THE HOUSE OF REPRESENTATIVES,

Friday, March 1, 1889.

On the joint resolution (H. Res. 129) to promote commercial union with Canada.

Mr. HITT said:

Mr. SPEAKER: This joint resolution, for calling up which I desire to thank the gentleman from Iowa, to promote commercial union with Canada, is a timely and practical response, in liberal spirit and full regard of the dignity and independence of all, to a widespread and extending movement now going forward in the Dominion, friendly to us in tendency and aiming at larger and freer intercourse. It is true the present administration of the Dominion is Tory and hostile to commercial union with us. Sir John McDonald, the prime minister and real ruler, desires to bind Canada as closely in trade as in political connection with Great Britain; and every appliance of power and appeal to sentiment have been used against this movement. Yet the material reasons, the business advantages to every one, are so evident that it goes on. In the Canadian Parliament last spring sixty-seven members, representing districts that contain more than half the wealth of Canada, voted for unrestricted reciprocity. The bye-elections since then show the increasing strength of the movement. The executive officers and prime ministers of the provinces, something like our States, have declared for it.

It is time that we give some assurance that such a powerful movement of such immense consequences interests our people, and will be considered in as liberal and practical a spirit on our side.

Since this resolution was introduced by me one year ago, March 5, it has been most carefully, scrutinizingly discussed, and almost universally approved by the press of the country. The Committee on Foreign Affairs, after much consideration, reported it to the House without a dissenting voice, recommending its adoption. It provides, in few words:

That whenever it shall be duly certified to the President of the United States that the Government of the Dominion of Canada has declared a desire to establish commercial union with the United States, having a uniform revenue system, like internal taxes to be collected, and like import duties to be imposed on articles brought into either country from other nations, with no duties upon trade between the United States and Canada, he shall appoint three commissioners to meet those who may be likewise designated to represent the Government of Canada, to prepare a plan for the assimilation of the import duties and internal-revenue taxes of the two countries, and an equitable division of receipts, in a commercial union; and said commissioners shall report to the President, who shall lay the report before Congress.

What is commercial union with Canada? It means as set out in this resolution the adoption by both countries of precisely the same tariff of duties, or taxes to be levied upon goods coming from abroad, abolishing altogether our line of custom-houses on the north by which we collect tariff duties on goods coming from Canada, abolishing their custom-houses along the same line by which they collect duties upon goods we send into Canada, and leaving intercourse as unrestricted between this country and Canada as it is between the States. The line of custom-houses would follow the sea and include both countries. The internal-revenue systems of taxes on liquors and tobacco in the two countries would also have to be made uniform in both. The proceeds of taxation thus collected would be equitably divided, and the fairest way would seem to be in proportion to population.

The Canadian tariff now levies duties upon goods coming into Canada from all sources, including England. It is not quite as high in the rates of duties as the tariff of the United States; but it is, like the tariff of the United States, a protective tariff, framed for the express purpose of fostering Canadian industries. If Canada entered into commercial union with the United States its tariff, then the same as our own, would no longer be laid upon goods sent from the United States into Canada, but would fall upon everything coming from England and other countries. To illustrate: In the year 1887 we sold to Canada \$44,802,732 of goods. Of this amount \$30,578,332 consisted of articles on which they levied duties, the average rate being 23.76 per cent., amounting to \$7,265,135.73. This burden of over seven millions of tax imposed upon goods we sent to Canada to sell would be swept away.

England, competing with us for the Canadian market, sold nearly the same quantity of goods in Canada during the year, and as they were manufactures of a higher grade, cost, and process, they fell under the provisions of the Canadian tariff imposing still higher rates of duty than those imposed upon the imports from the United States.

The advantages which would accrue to us from commercial union can readily be seen. If in one hundred millions of imports purchased by Canada during the year the United States were able to sell forty-five millions in that market in spite of the duties imposed upon them, competing with the English, who sold goods of nearly similar value, how much greater share of this hundred millions of trade would our people enjoy if they could send their manufactures and other goods into Canada as freely as they now send them from one State to another, while the English manufacturers and merchants, competitors with ours, would have to submit to the tariff when they landed, amounting to from 25 to 40 per cent.?

Is it not evident that the sales we would make to Canada would speedily leap to seventy-five or perhaps a hundred millions of dollars per annum? The advantages which would be reaped by Canadians—farmers, artisans, and mechanics—from the enormous impulse given to business and to every element of prosperity are for them to consider. I am now discussing the proposition only from the point of view of the people of the United States. In all trade arrangements which have been made by our statesmen heretofore with Canada—the reciprocity treaty of 1854 and several subsequent attempts with the same purpose—the result has been one-sided. Reciprocity was provided for natural products which the agriculturists of Canada desired to sell to us, but ours could never sell to them, as that is not a market for agricultural products. They only sell and send away. But good care has been taken to never admit the goods produced by our manufacturers to the

great market of Canada. That market, if opened to us by commercial union on terms of perfect freedom, would be to the business interests of this country of enormous value; but our people will never again consent to any partial or one-sided arrangement by which Canadians shall enjoy our market for their products, while our manufacturers shall be to a great extent excluded from Canada, to be still supplied from England.

The advantages we give to Canada should be for advantages received, and I have therefore opposed the policy which would strike off duties amounting to \$1,800,000 per annum on Canadian products sent to this country without any concession being made on their part in striking off duties upon goods we send to Canada. If such an improvident policy is pursued, all motive on the part of Canadians to give us any advantage whatever in their markets will be taken away. English business influence and English capital will remain dominant in Canada while our laws are being changed to conform to their interests and wishes. When they permit our iron and steel, cotton and woolen manufactures free entry into their market it will be time to talk of free lumber, free fish, and free salt, but until then no jot or tittle of our tariff upon imports from Canada should be abated.

The assimilation of the Canadian tariff to our own would not be a violent change. An elaborate computation made at my request by the Bureau of Statistics, issued May 31, 1888, giving the rates of duty imposed by Canada upon each article making up the \$30,000,000 of dutiable articles which were sold to that country in the last year, averaged 23.76 per cent. The duty estimated under our own tariff which would have been collected had it been applied would have amounted to 26.49 per cent., being a difference of only 2.73 per cent. The difference between our internal-revenue taxation (which like that of Canada falls upon spirits, beer, and tobacco) and that of Canada is also not wide, and like the slight difference in the respective tariffs could be assimilated into one revenue system without any violent change.

The division of receipts from tariff and internal revenue, if based upon the respective populations, would make scarce any change at all. We collected last year by tariff and internal revenue together \$6.70 per capita of our population, while Canada collected from tariff and excise \$6.65. Let me give the precise facts in detail from the official reports. During the year ending June 30, 1887, our Government collected by the tariff \$217,286,896, and from internal revenue \$118,823,391, making altogether \$336,110,287 from a population, according to the census of 1881, of 50,155,783 persons, making \$6.70 from every person in the United States.

During the same year the Canadian Government collected by its tariff \$22,378,801, and from internal revenue, or excise as they term it, \$6,308,201, making together \$28,687,002 which was collected from the population of Canada, that according to the census of 1881 numbered 4,324,810, or a fraction above \$6.60 from every person. As the amounts collected from the respective peoples are almost exactly identical per capita, differing by a decimal scarcely appreciable, would it not be the simplest and the fairest way when the revenues are to be all collected under a common tariff and a uniform internal-revenue system to divide the proceeds by population? This would leave the revenues of each Government derived from tariff and internal revenue exactly as they stand now, and each treasury would receive next year from these sources the same sums proportionally for the support of the Governments that they received in 1887. I do not mention receipts from other sources, such as public lands, post-office, public works, etc. Each

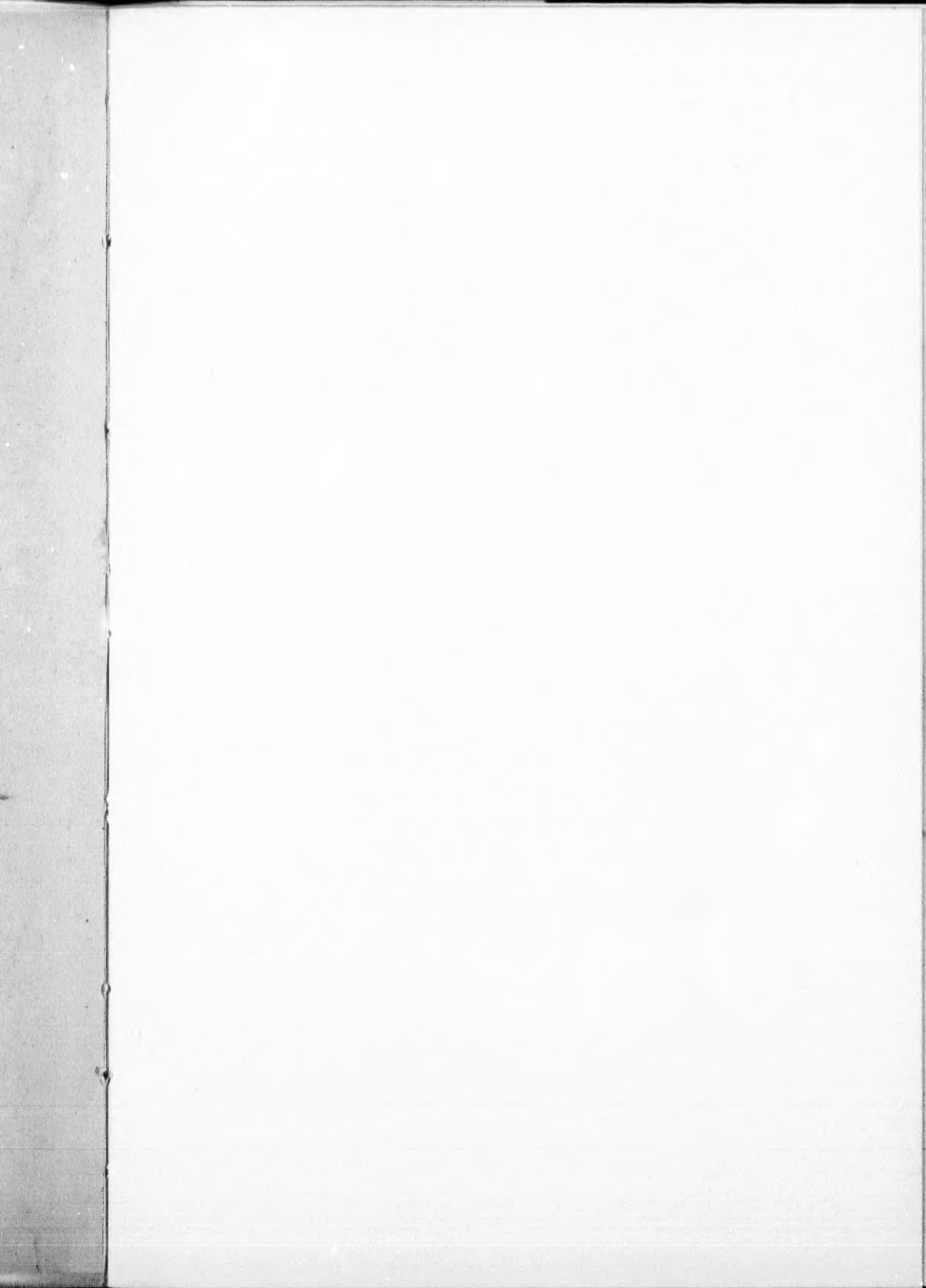
Government would manage them to suit itself. Undoubtedly the receipts from duties at Canadian ports might change, because the market of Canada being largely supplied with goods from the United States, the large sums they now collect upon importations from across the sea might be decreased, but the equitable division of revenue by population would maintain the Canadian Government in undiminished financial resources.

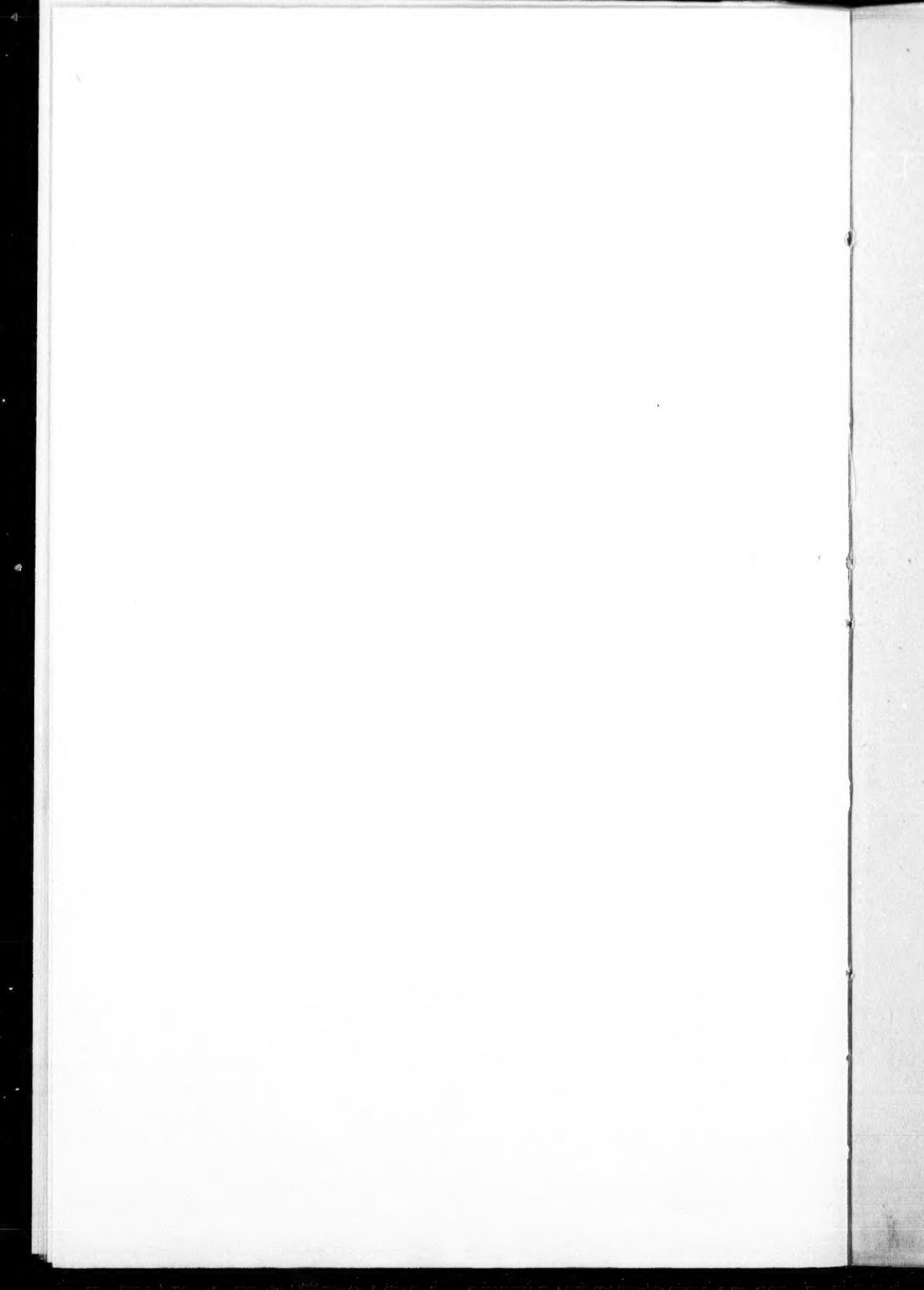
The Dominion of Canada, vast as it is in territorial extent, contains but a long string of feebly connected groups of population upon the southern border. The power and value of a country are measured by its strength in men and by their activity, not by square miles within its borders, whether they be capable of high cultivation or wide stretches of icy desolation. The maritime provinces, containing 870,696 people, are separated by an uninhabited waste of hundreds of miles and by the wedge-like State of Maine from the central provinces, Quebec and Ontario, containing 3,282,255. Then comes the long, rocky journey around the lakes to Manitoba, which has probably a hundred thousand people. They again are separated by more than a thousand miles on the west by plains and mountains from British Columbia. Each of these groups of population lies close upon the people of the United States, and enormous effort by great expenditure has been made to introduce interprovincial trade over Government railroads and subsidize roads, but in vain.

The laws of nature and the laws of trade are against it, and the \$200,000,000 spent for this purpose could not accomplish it. The provinces had almost the same things to sell. How could they sell them to each other? Each one of them is interested in every way in the affairs, in the markets, in the business of the great near neighbor on the south, to whom they wish to sell, from whom they wish to buy, rather than from any other province, the nearest hundreds of miles away. The products of Canada, from Quebec to the mountains, are so nearly the same that they can not sell to each other nor supply each other's wants. They export agricultural products and wish to purchase their merchandise from abroad, either from England or the United States. The natural lines of commerce are North and South, each supplying what the other lacks, rather than East and West along lines of similar products.

Nature herself sends the Canadians to our market, so near at hand, to purchase what they need, to sell what they have to dispose of. In spite of the tremendous influences against it, the spirit of their government, the dominant social forces there, and the invested English capital, all endeavoring to constrain the people to trade with England, half their commerce is still with us; and in spite of the high duties levied by them upon our goods and by us upon their products, we sold them in 1886 over \$50,000,000, largely of manufactured goods. Can there be any question that it would be in the interest of our people to have free admission to that market for the sale of American goods, to have the preference, in fact, in that market by the establishment of the tariff against importations from any other route?

It is said that the price of labor in Canada is now lower than in the United States, and we would have cause to dread the free admission of Canadian products in competition with our own. That criticism would appeal to me as an American and as a protectionist if the price of labor in Canada was made lower than here because of the overpopulation of the country. If there were scores of millions there, as in Europe, contending for existence and pressing for employment, then to let in the





flood of their products would be unwise. But, in fact, population in Canada is sparse, and the reason the price of labor in Canada is low is not because there are millions seeking employment and crowding each other, but because business there is stagnant, money is scarce, and profits are low. They suffer for want of a market, for want of capital; enterprise not being encouraged, the price of labor is in some places lower than here. Those who lived in the Western States in the earlier days when we had no access to markets can remember a similar state of things, when abundance of land and raw material and a vague splendored future in sight were all ineffectual to bring good prices for anything. Labor was ill paid, wages were low, money was scarce, business was dull. But when the railroads were opened and the market came to our Western farmers, an era of good prices, general prosperity, and rapid, steady growth ensued, as it would to the vast depressed agricultural regions of Northwestern Canada if a market were afforded them.

The prosperity of our Western farmers did no injury to New England or any part of the East. It increased the prosperity of all, afforded them abundant supplies, gave to them a wider market for the products they had to sell, and promoted the growth of both the East and the West with immense strides. So the opening of the great agricultural regions of Canada, now sparsely peopled and depressed in business, will widen our market, give new regions to American enterprise and profitable investment, and benefit all parties. The price of labor in Canada as soon as activity and prosperity touched those lands would rise as in the Western States. This is not a question of admitting the millions of European pauper laborers to our market nor anything akin to it. I have faith that the capital and labor of the United States, sixty millions strong, can easily take care of themselves in the opening of the market with five millions of Canadians.

Would the adoption of a common tariff along the seacoast and unrestricted intercourse over the inland border lead to fraud? Would goods be admitted by Canadian custom-house officials without paying duty and thus evade our tariff? Would it be safe to allow a part of our custom-houses, those along the Canadian border, to be beyond the control and jurisdiction of our Treasury Department? I answer, what ground is there to apprehend fraud? The Canadian custom-house system bears a good name and is well administered. I know it is said that in the countries on the south of us there is much looseness in custom-house systems, and in any such arrangements with them much precaution might be necessary; but there is nothing in the history of Canadian administration to warrant a distrust of their officials by us any more than they might distrust ours. However, there is no practical difficulty in having officers of the United States revenue service in their ports with function of inspection to prevent losses to revenue, or injury to our merchants. That is done to-day by our Treasury Department, which has its officers at Vancouver, in British Columbia, and in Ontario, and in Quebec, and elsewhere throughout Canada, done with the permission of that Government, to protect our custom-house revenue from losses in the transit trade.

Commercial union is in substance a proposition to extend our tariff system, modified reasonably upon consultation, over Canada; to remove the custom-houses of both governments from the frontier and put them along the line of the sea; to have our protective system include the continent from the Gulf of Mexico north; to give to our manufactures and other products as free access to the markets of Canada as they have

throughout the States, and allow the Canadians to sell and buy here as freely. Undoubtedly they, in being subjected to the same tariff with us, would in all fairness be consulted as to its provisions; but we, sixty millions, would in all fairness generally have the prevailing voice in determining what the rates should be. The particular methods in which questions of detail should be treated need not now be discussed. The commissioners contemplated by the resolution are for the express purpose of getting all the views and all the facts bearing upon this question.

The amount of our imports from Canada in most of the articles we purchase there is so small compared with the vast consumption of our people that it does not affect the price perceptibly, and as Canada is comparatively depressed in business the prices of articles sold us and on which we lay a tariff are generally lower in Canada by just the amount of our tariff. This is not the case with all articles, but it is true in many cases, and there the Canadians will get an immediate benefit. And, on the other hand, there would be a large absolute gain in market range and in prices for American manufactured goods purchased from us by Canada in place of purchases now made by them in Europe.

The business advantages on both sides are so evident on examination that the more this is discussed the stronger the movement. It is now going forward at such a rate that before long public opinion in Canada and in the United States will be in accord that new and better arrangements than the present can be made; and once the people have reached this conclusion they will quickly find a way of carrying it out.

Already the precise question—a common tariff and excise system—is becoming familiar to the people, and it is discussed in a friendly spirit. We have in the United States perhaps one million Canadians born, and they are excellent citizens. There is a friendly feeling generally. The recent discussions in Canada have awakened discussion here, especially on the business aspect. Less interest is felt in annexation, for we know our country is now very large, and there is enough to do in assimilating the diverse elements we already have. But the enlargement of trade and improved business both north and south of us everybody welcomes, because everybody expects to profit by them.

It is easy to conjure up difficulties of detail that will arise in arranging a common tariff, but these are questions similar to those we have been dealing with a century, and certainly they are very slight compared with the difficulties certain to arise in the future between the two nations if we continue the barrier, 4,000 miles long, with parallel lines of custom-houses and fortifications, between peoples almost exactly alike in business, in feelings, and in race. There will be and there must be an enormous and immense intercourse consequent upon their geographical position and the mutual business interests of both sides; and if vexatious barriers are kept up, irritation and trouble must constantly arise.

Will it be said that England will not consent to any arrangement which would give a preference in one of her colonies to American goods over British goods? Her Government, in a noted instance, did this very thing not many years ago. In 1874, when the reciprocity treaty was being negotiated by Minister Thornton, the English Government instructed him to modify it at the suggestion of the Canadian ministry and make such additions to the list of American goods to be admitted free into Canada as the Canadians desired. He did so, and made out a long list of American articles to be admitted free of duty, so long that

it was almost free trade. Not one of these articles coming from England was to be admitted free of duty. This draught of a treaty was sent to Lord Derby, who answered that the whole proceeding was approved, and the English Government assented to the arrangement admitting American goods free to a British colony, where a tariff of 20 to 40 per cent. was to be laid upon the same kind of goods coming from England or any other country than the United States.

Commercial union is not in hostility to England. She has no better customer than the United States, and the entrance of Canada into our commercial system and our business activities would stimulate her prosperity and make her trade in all directions more valuable. The five hundred millions of English capital invested in Canada would be immediately enhanced in value to English owners.

The irritating questions that have arisen between our Government and England have nearly all originated in our relations with Canada, and they have often disturbed our vast business with Great Britain and even endangered peace. They would be removed and that great trade, many hundred millions annually, would enjoy assured permanent peace.

These, in brief, are some of the practical business reasons in immediate view for the step proposed by this resolution. Every intelligent and thoughtful mind will see the far-reaching effects of commercial union upon the two peoples in the long hereafter, the security it will give to continuing peace, the solution it will afford at once to all the exasperating differences that have been in dispute for generations, the vastly extended prosperity it assures to the English-speaking people of this continent dwelling together in harmonious activity, increasing power, and unbroken peace.

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Mr. HITT, from the Committee on Foreign Affairs, March 16, 1888, submitted the following report to accompany joint resolution (H. Res. 129):

The Committee on Foreign Affairs, to whom was referred House joint resolution 129, to promote commercial union with Canada, beg leave to submit the following report:

Our commercial relations with Canada have recently awakened a deeper interest and received a more thorough discussion than ever before, on both sides of the border. The tendency of public opinion is plainly towards the enlargement of trade between the two countries. In Canada the movement has advanced from what was a few years ago an effort for partial reciprocity, to a wide expression in favor of unrestricted intercourse and commercial union. The evidence of this fact is abundant.

The Right Honorable Joseph Chamberlain, high commissioner from Her Majesty's Government, is reported to have recently stated in a speech:

"The arrangement between the colonies and Great Britain is essentially a temporary one. It can not remain as it is. * * * Already you have in Canada, the greatest of all the colonies, an agitation for what is called commercial union with the United States. Commercial union with the United States means unrestricted trade between the United States and the Dominion of Canada, and a protective tariff against the mother country. If Canada desires that, Canada can have it."

And speaking of the relation of Canada to the United States and Great Britain on a subsequent occasion the right honorable gentleman further said that—

"Commercial union with the United States meant that Canada was to give preference to every article of manufacture from the United States over manufactures from Great Britain. If the people of Canada desired an arrangement of that kind he did not doubt that they would be able to secure it."

Within a few weeks a conference was held at Quebec of the prime ministers of all the provinces constituting the Dominion of Canada, and after a very full exchange of views these representatives of the executive powers of all portions of the Dominion unanimously adopted the following declaration:

"This conference, comprising all political parties, is of the opinion that a fair measure, provided under proper conditions, for unrestricted trade relations be—

tween the United States and the Dominion of Canada, would be of advantage to all the provinces of the Dominion, and would, in connection with an adjustment of the fishery dispute, tend to happily settle the grave difficulties which have from time to time arisen between Great Britain and the United States."

The chambers of commerce and boards of trade of the leading cities of Canada, and more than fifty farmers' institutes and conventions, have adopted resolutions declaring in favor of commercial union or unrestricted trade between the two countries.

The answer made by their opponents and those most closely attached to English trade and English rule has been that the United States has given no indication that it would receive or even consider any proposal, however friendly in spirit or however favorable to us in its terms it might be.

The joint resolution now submitted does not contemplate any action on our part at present; but whenever the Dominion of Canada shall have declared a desire for commercial union, with a common tariff, like internal-revenue taxes, like duties on articles imported into either country from abroad, and no duties on trade between the United States and Canada, then the President is authorized to appoint three commissioners to meet those who may be designated to represent Canada, in order to prepare a plan for commercial union, by assimilating the tariffs and internal-revenue taxes of the two countries, now not very widely different, and an equitable method of dividing the receipts, which they shall report to the President, who shall lay it before Congress. The whole subject of our relations with Canada is kept under the control of Congress.

It is not deemed necessary to here discuss the great merits of commercial union or the details of arrangement that will be necessary. Your committee believe that the power herein conferred upon the President can do no harm, that it will be wisely used, and will lead to beneficent results, promoting the independence, prosperity, and peace of two great peoples.

The committee therefore recommend the adoption of the joint resolution.

March 1, 1889, the joint resolution was taken up by unanimous consent, ordered to be engrossed and read a third time; and being engrossed, it was accordingly read the third time, and passed.

